

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 12762 01 OF 02 052255Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 PA-01 PRS-01 IGA-02 /095 W
-----126061 052329Z /75

R 051535Z AUG 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 6359
TREASURY DEPT WASHDC
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMCONSUL MILAN
AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 12762

USEC; OSOEC; PASS FRB

E. O. 11652: N/A
TAGS: EFIN, IT
SUBJ: ITALIAN FINANCIAL MARKET DEVELOPMENTS (77-3)

REF: (A) ROME 11261, (B) ROME 12551

1. THE LATEST AVAILABLE DATA (TABLE 1) SHOW ITALY HAD
AN OVERALL BALANCE OF PAYMENTS SURPLUS OF \$432 MILLION FOR
JUNE AND \$540 MILLION FOR THE FIRST HALF OF JULY. TRADE
DATA FOR JUNE, RELEASED ON 2 AUGUST, ALSO SHOWED A SURPLUS
OF ABOUT \$95 MILLION (EXPORTS F.O.B. \$4082 MILLION
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 12762 01 OF 02 052255Z

AND IMPORTS C.I.F. \$3,987 MILLION). IN ADDITION TO THE
POSITIVE DEVELOPMENTS IN THE TRADE ACCOUNT (LARGELY ATTRI-
BUTABLE, IT SEEMS, TO AN UNEXPECTED INCREASE IN EXPORTS),
THERE HAS BEEN A STEADY DECREASE IN THE RATE OF
COMMERCIAL BANKS; SHORT-TERM BORROWING ABROAD. BY 15-DAY
PERIODS BEGINNING MAY 1 ENDING JULY 15, BANKS' BORROWING
ABROAD SHOWS THE FOLLOWING DECLINING PATTERN (\$ MILLIONS):

601, 587, 511, 313, 166. IT APPEARS THAT THE RECENT OVERALL BALANCE OF PAYMENTS SURPLUSES ARE INCREASINGLY THE RESULT OF FAVORABLE DEVELOPMENTS IN THE CURRENT ACCOUNT (I.E., LARGELY TOURISM AND TRADE), RATHER THAN OF SHORT-TERM CAPITAL INFLOWS. THIS IS APART FROM CURRENTLY FAVORABLE SEASONAL FACTORS.

2. THE PRESS HAS REPORTED THAT THE AUTHORITIES HAVE HAD UNDER CONSIDERATION SOME MEASURES, DIRECT OR INDIRECT, TO RESTRICT BANKS' SHORT-TERM BORROWING ABROAD. THE BOI DIRECTOR GENERAL ERCOLANI, HOWEVER, RECENTLY TOLD TREASURY ATTACHE THAT ANY SUCH MOVE HAS BEEN INDEFINITELY POSTPONED. REASONS ARE THAT THE RATE OF SUCH BORROWINGS IS COMING DOWN BY ITSELF AND THAT THERE ARE SOME SIZEABLE DEBT REPAYMENTS DURING THE CURRENT PERIOD (SDR 700 TO THE IMF AT END OF JULY AND \$500 MILLION TO BUNDESBANK IN SEPTEMBER) WHICH WILL DRAW DOWN CONVERTIBLE CURRENCY RESERVES. THUS, NOW IS PERHPAS NOT THE APPROPRIATE TIME TO CLOSE OFF WHAT HAS BEEN A HELPFUL SOURCE OF RESERVE BUILDUP.

3. THE LIRA HA APPRECIATED SLIGHTLY SINCE THE END OF JUNE (TABLE 4), WHILE THE BOI HAS BEEN INTERVENING TO KEEP IT FROM APPRECIATING MORE. THE 3-MONTH FORWARD DISCOUNT WIDENED A BIT DURING THE RECENT PERIOD AND IN RECENT DAYS THE LIRA HAS DEPRECIATED ON THE BLACK MARKET. THE LIRA IS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 12762 01 OF 02 052255Z

NOW AT A SLIGHT DISCOUNT ON THE BLACK MARKET FOR THE FIRST TIME SINCE MID-MAY.

4. THE SLIGHT RISE SHOWN IN INTER-BANK RATES (TABLE 4) IS PROBABLY LARGELY ATTRIBUTABLE TO A TEMPORARY SQUEEZE ON BANK LIQUIDITY CAUSED BY JULY INCOME TAX PAYMENTS AND PERHAPS TO THE DECLINE IN RATE OF FOREIGN BORROWING BY BANKS. AS SHOWN AT THE JULY TREASURY BILL AUCTION, THE AUTHORITIES CONTINUE TO FAVOR SOME DECLINE IN INTEREST RATES, BUT HAVE BEEN FRUSTRATED IN THEIR DESIRE TO LENGTHEN THE AVERAGE MATURITY OF THE PUBLIC DEBT BY PERSISTENT HIGH LIQUIDITY PREFERENCE OF THE BANKS (REF B).

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ROME 12762 02 OF 02 052318Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 IGA-02 L-03 H-01 PA-01
PRS-01 NSC-05 SS-15 STR-04 CEA-01 /095 W
-----126813 052330Z /75

R 051535Z AUG 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 6360
TREASURY DEPT WASHDC
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMCONSUL MILAN
AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 12762

USEC; OSOECDC: PASS FRB

5. TABLE 1 - MONETARY MOVEMENTS (MILLIONS OF DOLLARS)

	JUNE 1-30	JULY 1-15	JAN 1-JUL 15
1. BOI/UIC			
GOLD	-147.7 (#)	-	714.6 (#)
CONV. FOR. EX.	1838.2	688.7	3737.2
OTHER (INCL. GOLD			
REVAL LIAB.)	452.2	17.4	-1479.0
TOTAL BOI/UIC	1238.4	706.1	2972.8

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 12762 02 OF 02 052318Z

2. COMM BANKS' NET			
FOR. POS.	-823.9	-165.6	-4393.1
SUB-TOTAL	414.5	540.5	-1420.3
3. FOR. EX. ADJ.	17.5	-	-20.3
4. BOP FURPLUS/ DEFICIT	432.0	540.5	-1400.0

(#) INCLUDES GOLD REVALUATION OF \$147.7 IN JUN 1-30
AND \$706 IN JAN 1-JULY 15. SHOWN AS SIMULTANEOUS RISE
IN GOLD ASSETS AND CORRESPONDING CREATION OF EQUAL
CONTINGENT LIABILITY. LATTER IS INCLUDED IN "OTHER."

6. TABLE 2 - FOREIGN RESERVE POSITON (MILLIONS OF DOLLARS)

	12/31/76	6/30/77	7/15/77
1. BOI/UIC			
GOLD	9,320.5	10,035.1	10,035.1
CONV. FOR. EX.	3,132.0	6,180.5	6,869.2
OTHER (INCL GOLD			
REVAL. LIRE) (&)	-12,372.0	-13,868.4	-13,851.0
TOTAL BOI/UIC	80.5	2,347.2	3,053.3
2. COMM BANKS' NET. FOR.			
POS.	-3,011.0	-7,238.5	-7,404.1
TOTAL	-2,930.5	-4,891.3	-4,350.8

(&) INCLUDES LIABILITIES TO EC, BUNDESBANK AND IMF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 12762 02 OF 02 052318Z

7. TABLE 3 - EXTRAORDINARY TRANSACTIONS (MILLIONS OF DOLLARS)

	JUNE 1-30 '76	1-15	JAN 1-15
FIAT/LIBYA	-	-	306.0
GOLD REVALUATIONS	147.7	-	1,001.4
BUNDESBANK LOAN	160.0	-	264.0
IMF STANDBY	-	-	104.0
EC LOAN	500.0	-	500.0
EUROMARKET LOANS	-	-	-200.0

8. TABLE 4 - FINANCIAL MARKET RATES

	6/30/77	7/29/77	8/3/77
LIRA/\$ RATE	884.775	881.55	881.25
3 MO. FORWARD RATE	904.025	904.55	903.25
BLACK MKT	877	881	888

BOI EX INDEX (#):

ALL CURRENCIES	37.80	37.83	37.92
DOLLAR	34.34	34.10	34.07

INTER-BANK RATES:

48-HOUR	13.375	13.437	13.437
3-MO.	14.125	14.375	14.375

(#) WEIGHTED AVERAGE PERCENT DEPRECIATION SINCE 2/9/73
(SECOND DOLLAR DEVALUATION).HOLMES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, REPORTS, FINANCIAL MARKETS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ROME12762
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770282-0097
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770892/aaaadabu.tel
Line Count: 226
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e3ee6f61-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 ROME 11261, 77 ROME 12551
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1697301
Secure: OPEN
Status: NATIVE
Subject: ITALIAN FINANCIAL MARKET DEVELOPMENTS (77-3)
TAGS: EFIN, IT
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e3ee6f61-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009